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Reauthorization of the Workforce Investment Act
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America's strength as a nation and as a leader of the global community of nations depends on our continuing economic vitality. And our economy depends, first and foremost, on the skills of the workers who create and produce American products, services, technology and innovations.

American business cannot be competitive in the global market without highly skilled workers. More than any time in history, American economic competitiveness depends on our ability to provide U.S. businesses with a highly skilled, highly adaptable workforce.

The Workforce Investment Act, however, is over-regulated and under-funded.. The workforce system deserves the authority and resources necessary for a flexible, effective and immediate response to the economic challenges in our communities. We need to increase the influence of local business and labor over the local systems.

The current Act, by omission or commission, creates barriers that have limited our ability to provide training to support retention, expansion and retooling of growth industries, and our ability to obtain effective data for improving performance and measuring our effectiveness.

Funding:

While the U.S. economy's demand for highly skilled workers has increased exponentially over the last 20 years, federal funding to meet that need has decreased by 25%.

The workforce development system includes many organizations and funding streams working together to serve businesses and workers. Broadly defined, it includes Workforce Investment Act, Unemployment Insurance, Pell grants, secondary and post-secondary career and technical education, higher education, and Temporary Assistance for Needy Families, among others. The One-Stop system created by WIA attempts to create coordinated customer service among these multiple programs. While this section primarily addresses potential improvements in WIA funding, all workforce

development funding streams are inter-related and need comprehensive support from the federal level.

Specifically, funding for the Workforce Investment Act (WIA) is totally inadequate. This funding breaks down into four major activities, all of which need significant improvement.

1. Dislocated Worker funding is stretched thin throughout Washington State and the flood of laid off workers coming through the doors of our one-stop centers has doubled and continues to grow. Washington State has lost nearly 80,000 jobs since 9/11 and the effects of the recession remain entrenched.

If federal dislocated worker formula funding does not increase, our efforts to retrain laid off workers will be hamstrung. Our economic recovery will languish, sending new jobs overseas or the other states because we have not been able to prepare our workforce to meet the demands of business.

2. The Workforce Investment Act (WIA) requires the creation of one-stop centers to provide access to and coordination among workforce development services, but provides no federal appropriation to support these centers. This unfunded mandate means the infrastructure costs of the one-stop system are paid by diverting resources from direct customer service and skills training under WIA and other funding streams. One-stop centers are an effective resource in serving job seekers and businesses. For example, WorkSource centers in Washington exceeded all federal performance measures while serving 321,000 people last year — 50,000 more than the previous year — all with no dedicated federal funding. These results were achieved by pooling WIA, Wagner-Peyster, and many other funding streams, and paying the infrastructure costs with funding that would otherwise have provided additional direct services to businesses and workers. We cannot continue to do this. If federal funding does not materialize, we will need to downsize the one-stop system or divert additional funding away from career training in order to keep the doors open at one-stop centers.
3. WIA adult funding is a critical tool for helping working people move up and helping businesses increase productivity, but funding levels have been declining for years. The need for businesses to update their workers' skills and remain ahead of their competition has increased dramatically as the pace of change in the marketplace has increased. Likewise, the need for low-wage workers to increase their skills and move up has increased due to TANF reforms. The funding for the system that trains and places low-wage adults must also increase to keep pace with these demands.
4. WIA youth funding is sufficient to serve only 10% of eligible, at-risk youth, according to the U.S. Department of Labor. This is inadequate for an issue of such magnitude. According to research funded by the Gates Foundation, "Only 67% of all Washington State public school students from the class of 2001 graduated from

high school.... Graduation rates are significantly lower for African-American students (53%), Latinos (47%) and Native Americans (47%)." Additional WIA funding would mean additional resources to serve our students.

The WIA system has successfully addressed the needs of youth who are either struggling, on the verge of dropping out of school, or who have left the school system still in need of work related skill and academic skill development. In Washington, these programs produce a return on investment greater than 3 to 1 based on increased tax receipts due to increased employment. The \$2,300 cost per participant yields \$34,300 in increased lifetime earnings, which in turn yields \$7,300 in increased tax revenues. Additionally, the average investment in youth in the WIA system is very small compared to the cost of juvenile incarceration, lost future productivity and the cost of training in the future. We cannot afford to gamble on the future of our non-college bound youth and it is necessary that we make that investment now.

Development of a highly skilled highly adaptable workforce is a national priority that is absolutely vital for economic recovery and growth. For example, WIA funding should be increased to \$7 billion, from the current level of \$3.5 billion, over four years, as shown in Attachment A.

This should not be accomplished at the cost of other programs that impact the competitiveness of the American workforce. Rather we should build a stronger workforce system through coordinated investments in all programs with relevant workforce components, including WIA, Unemployment Insurance, Pell grants, secondary and post-secondary career and technical education, higher education, and Temporary Assistance for Needy Families.

As the economy has changed over time, the importance of a skilled workforce has increased dramatically. It is time for federal funding for workforce development, in the Workforce Investment Act and all related funding streams, to reflect this.

Our Customers — Business and Workers:

Workforce Investment Boards are focused primarily on serving the workforce needs of local businesses. This, in turn, enhances our ability to move local workers into good local jobs. It also enhances our ability to ensure that the local labor force can be rapidly trained, retrained and redeployed as demand for workers changes.

Workforce Investment Boards work in partnership with their states' Governors in tackling the economic recovery, student achievement, and competitiveness challenges facing their states. They support their Governor's initiatives at the local level, since they are the "front line" of service to our citizens and employers. They strengthen their states' competitiveness by bringing together key leaders in strategic industries and creating public/private partnerships to attack skill shortages in these industries; and they initiate business/education partnerships to enable all students to succeed in their futures.

As Assistant Secretary of Labor Emily DeRocco expresses it, "WIA is an economic development program with social benefits, not a social program with economic development benefits."

Therefore, it is critical that local, state, and federal decisions be focused primarily on increasing responsiveness to the workforce needs of local businesses. This can be accomplished as outlined below:

1. Maintain local leadership. The personnel needs of businesses are extremely localized. In the Northwest and across the nation, each local economy demands a customized strategy for developing the local workforce. This strategy can only come from the local business leaders, who know, better than anyone else, what their industries need to increase productivity, remain competitive and profitable and create more jobs for local workers. Now, and into the future, the system must be more responsive to the needs of local business and economic development, and more able to close local skills gaps and move local workers into good, highly skilled careers.
2. Enhance the stature of business and labor to strengthen the ability of business and labor to customize the local system to meet their needs. The workforce system has two clearly defined customers: businesses and workers. The business and labor representatives on local boards are the voice of the customer, and should therefore have particularly strong influence over how workforce development are provided in their communities. WIA took a step in the right direction, which we can build upon by enhancing business and labor leadership of local boards, and in turn giving local boards greater influence over the local system. This could be accomplished by addressing the following three needs:
 - a. Waiver authority should allow boards to change their composition to increase manageability and responsiveness to the needs of business and workers. If business and labor in a local community are not fully satisfied with the board structure prescribed by WIA section 117(b)(2), they and their local elected officials should be empowered to change the structure to make the board more responsive to their needs. As with current waiver authority, local waiver applications would be approved by the Governor and federal level.
 - b. Make WIA funding more flexible, allowing boards and local elected officials to direct funding where it will do the most good locally. Currently, the funding silos are very rigid, and boards do not have much flexibility to address local needs. This ties the hands of these private-sector boards, as well as the local elected officials in the community.

Therefore, WIA reauthorization should create greater authority to transfer and combine funds in order to strengthen service to local businesses and promote economic development. Greater flexibility within the WIA adult, youth, and

dislocated worker (including rapid response) funding streams would create greater local capacity to tailor funding to local circumstances. It must be recognized that each funding stream has a constituency that places high value on maintaining a distinct funding source for their programs, and a compromise should be reached that reflects these concerns while increasing flexibility among funding streams.

- c. Increase local boards' waiver authority. At times, the regulations of WIA work counter to the unique needs of a local community. To address this, local boards should be given greater authority to initiate waivers. All waiver authority should be used to demonstrably improve service to the system's customers: local businesses and workers. This will ensure a strong voice for local business and labor representatives in the waiver process and keep the system customer-driven. As with current waiver authority, local waiver applications would be approved by the Governor and federal level..

These reforms create a workforce development system that is more directly driven by the needs of local businesses and workers. Business and labor are given a stronger voice on local boards, and greater flexibility to use those local boards to meet their needs. As a result, these boards will be able to better guide the system to support economic development needs in their communities.

These are not minor changes. They are critical to America's ongoing economic success. American businesses compete in the global marketplace by providing high quality products using the most modern high-tech production methods. This simply cannot be done without highly skilled workers. American economic competitiveness, and job creation for workers, depends on our ability to provide companies with the skilled workers they need, exactly when they need them. Putting business and labor in the driver's seat of local workforce development is fundamental to the success of the American economy.

Barriers:

WIA is over-regulated. This creates inefficiencies that reduce our ability to create the greatest value per dollar for our local businesses and workers. The changes outlined below would create a more streamlined and powerful workforce development system, one that can work in partnership with local economic development entities to attract, retain and expand businesses, and monitor progress to make continual improvements.

1. Increase access to sectoral and incumbent worker training. Local boards are working closely with colleges and other training providers to create sectoral and incumbent worker training, and to tailor it to address the precise skills needed by local industry sectors. However, demand still far exceeds supply, and WIA formula funding often does not allow for creation of such programs. Instead, they are usually created through use of scarce Governor's discretionary funds.

The WIA formula funds should be increased and made more flexible, to allow them to be used for intensive sectoral training programs, particularly for incumbent workers, layoff prevention, and out-placement. Such programs should include a commitment from local employers to interview trainees both at program entrance and completion. These intensive courses, tied directly to local businesses' skills needs, are critical for making our workforce highly adaptable, so workers can be rapidly retrained and redeployed to meet the changing demands of the fast-moving global economy.

2. Increase access to in-demand training courses. Many of the most effective training courses are not available to all who could benefit from them, simply because the classes are full and there is little capacity to expand them. WIA funding could be used to help solve this problem, if the regulations more clearly allowed local boards to fully fund high skill, high wage training courses at community colleges and other training institutions, via a contract for service rather than through ITAs. This would allow local boards to pay for all costs to expand capacity so that WIA trainees may access demand courses that would otherwise be closed to them due to excess demand.
3. The 100% match requirement for customized training should be reformed. The 100% requirement leads to tracking multiple in-kind employer contributions, making the system overly complicated to employers. This requirement is a disincentive and a major barrier to small and medium sized employers who simply cannot afford to participate in the program. Employer match is an important indication of employer commitment and demonstrates that the training is of value to the employer, but it need not be so complicated for the employer to track. If the goal of customized training is to provide businesses with a trained and work ready workforce in a user-friendly manner, then the match requirement should be reduced and/or simplified.
4. The performance accountability system should offer timely management information and adopt common measures.

Currently, the accountability system produces annual reports using data that are over one year old when published. This is not useful to local board members who want to continually make adjustments and evaluate their impact on improving outcomes. The current reporting system is not useful for continuous quality improvement.

Therefore, the performance measurement system should include real time indicators for local management purposes, designed in close cooperation with the local Workforce Development Councils, to complement the longer-term Unemployment Insurance data that is currently used for longer-term accountability. For the purpose of continuous quality improvement and local board oversight, a performance improvement system requires a rapid feedback loop, not year-old data.

The Administration's proposal for common measures is a beginning. In present form, they are complex and burdensome. Of particular concern is the inclusion of an efficiency measure through a "cost per" mode. Presumably, less cost is best? This is an "investment" and presumably more is better! Educational attainment is not a proposed measure. How can we ignore this outcome in a workforce system that includes education programs?

Over 90% of individuals receiving services through the one-stop system are receiving core services only (such as labor market information) for which they don't have to register. Currently, there is no national system for collecting data on core services to non-registrants. This lack of data understates the major undertaking of universal access and the results of the one-stop system.

5. State and local board membership should be flexible. The Workforce Investment Act specifies the membership required for newly created state or local boards. In order to have all the required members, a board must have over 40 members. Instead of creating a new board, states and local areas may choose to use a qualifying entity that was in existence on December 31, 1997. U.S. Department of Labor rules prohibit any significant change in the organization of the pre-existing entity or in the categories of members represented on the entity that requires a change in the entity's charter. A significant change includes the addition of a single voting member representing a category that was not included on December 31, 1997. The Act itself is silent on the ability of pre-existing entities to change membership structure over time.

Many find that the membership required for new boards is too large. The size makes it likely that at any given meeting the private sector members will be outnumbered by members representing the public sector and vendors, defeating the intent of WIA to have a private sector driven system. In addition, less populous workforce development areas have a difficult time recruiting a sufficient number of private sector representatives to fulfill the membership required for a new local board.

Department of Labor rules that virtually prevent any change in the membership structure of pre-existing boards forever freeze in place the old structure. This rigidity prevents boards from evolving to meet changing economic or social conditions or changes in state or local government structures.

Any amendment should remove these rigid requirements and allow the state and local boards to require memberships that meet the unique needs of the state or local area.

The originally proposed technical amendments to WIA should be enacted. Soon after WIA became law, technical amendments were offered that would have allowed youth who are eligible for free school lunches to automatically meet the income requirements for WIA eligibility; increased local flexibility to define out of school

youth; and clarified the relationship between Pell grants and WIA funding. These were never enacted, and would further reduce bureaucratic barriers that make the system difficult to navigate, and sometimes counterproductive, for the workers, job seekers, and youths we serve.

To lead the global economy of the 21st Century, America must have the most skilled workforce in the global economy. We have a system that has proven its ability to deliver just that. To use Washington State as an example, all federal standards are surpassed by Washington's Workforce Development Councils. Washington's statewide results were 105% of target for customer satisfaction, 106% for youth outcomes, 103% for dislocated worker outcomes, and 101% for low-income adults.

More importantly, the system rapidly adapts to changing economic need. In Washington, when the shortage of skilled health care personnel became evident, workforce development councils rapidly invested over \$7.5 million to address this need for the health care industry. They worked with the State Workforce Investment Board and the Employment Security Department to create industry skill panels to identify local businesses' needs, and a new customized training program, Industries of the Future, to address those specific needs. This means that local industries in Washington like biotechnology, information technology, food processing, industrial construction, health care, and manufacturing now have a pipeline of skilled workers feeding their industry, and a feedback mechanism to adjust that pipeline when their personnel needs change.

This system is creating an American workforce whose skills and productivity will be without rival. But the system is badly under-funded and over-regulated. Perhaps most troubling, it does not give its business and worker customers a sufficient leadership role. With the adjustments described above, however, the American workforce development system can build on its past successes and become a more efficient, more powerful engine of economic growth for our nation. This opportunity should not be missed.